

**CITY OF STRAWBERRY POINT, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

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Officials

Name	Title	Term Expires
Officials		
(Before January, 2016)		
Ron Highland	Mayor	January, 2016
Mike Tucker	Council Member	January, 2016
Jackie Opperman	Council Member	January, 2016
Hannah Evans	Council Member	January, 2016
Travis Kruger	Council Member	January, 2018
Walter Rowcliffe	Council Member	January, 2018
Appointed Officials		
Elizabeth Jaster	City Clerk/Administrator	Indefinite
(Beginning January, 2016)		
Jeff Bente	Mayor	December, 2017
Walter Rowcliffe	Council Member	December, 2017
Travis Kruger	Council Member	December, 2017
Hannah Evans	Council Member	December, 2019
Duane Johnson	Council Member	December, 2019
Megan Hansel	Council Member	December, 2019
Appointed Officials		
Elizabeth Jaster	City Clerk/Administrator	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Strawberry Point, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Strawberry Point for the period July 1, 2015 through June 30, 2016. The City of Strawberry Point's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Strawberry Point, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Strawberry Point, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor and
Members of the City Council
City of Strawberry Point, Iowa
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This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Strawberry Point and other parties to whom the City of Strawberry Point may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
July 28, 2016

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

(A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system - performing all general accounting functions, including journal entries and having custody of assets.
- (2) Cash - handling, reconciling and recording.
- (3) Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Debt - recordkeeping, compliance and debt payment processing.
- (7) Journal entries - preparing and journalizing.
- (8) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (9) Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
- (10) Computer system - performing all general accounting functions and controlling all data input and output.
- (11) Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of review.

(B) **Certified Budget** - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (C) **Financial Condition** - As of June 30, 2016, the City had deficit balances in the following funds:

Fund	Amount
Capital Improvements - Fund 302	\$ 88,957
Capital Improvements - Fund 309	29,187
Rehabilitation Housing	13,276
General Fund	1,093

Recommendation - The City should take steps to reduce and eventually eliminate these deficits to return the funds to a sound financial condition.

- (D) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - While utility billings, collections and delinquent accounts were reconciled monthly, the reconciliation included a variance of \$12,990 which had not been resolved.

Recommendation - As a part of the reconciliation process, the City should ensure that the general ledger agrees to the utility's software amounts. The City Council or other independent person designated by the City Council should review the reconciliations, document their review by signing or initialing and dating the reconciliation and monitor delinquent accounts.

- (E) **Bank Reconciliations** - During our testing of bank reconciliations, we found an amount that was included on the listing of outstanding checks, but had already been remitted to the State of Iowa in accordance with Code of Iowa Chapter 556.1(12). Additionally, we found that a complete reconciliation, including investments, was not done.

Recommendation - To improve financial accountability and control, monthly bank reconciliations, including investments, should be performed and variances between book and bank balances should be investigated and resolved timely. The outstanding check in question should be voided as it is no longer outstanding once it is submitted to the State of Iowa.

- (F) **Investment Policy** - The City has adopted a written investment policy as required by the Code of Iowa Chapter 12B.10B. The policy requires that the City review the policy every two years. We found no evidence that the policy had been reviewed since it was first approved in 2007.

Recommendation - The City should review and update the policy every two years as required and document the approval in the City Council meeting minutes.

- (G) **Revenue Bond Debt Sinking and Reserve Funds** - The City's sewer and electric revenue bonds contain covenants which require certain amounts be retained in reserve funds and other amounts transferred to a sinking fund each month. The City is making the necessary monthly transfers to the sinking fund; however, we found that the Sewer Sinking Fund and the Electric Sinking and Reserve Funds are overfunded.

Recommendation - The City should review the minimum funding requirements for these accounts on a monthly basis and transfer the unrestricted funds to the Sewer and Electric Operating Funds.

Detailed Recommendations

For the Period July 1, 2015 through June 30, 2016

- (H) **Compliance with the Internal Revenue Code** - Internal Revenue Code Section 148 requires that the City maintain written procedures to monitor compliance with arbitrage, yield restrictions and rebate requirements. The City does not have these written procedures.

Recommendation - The City should consult with its bond counsel and determine the proper form of written procedures. Those written procedures should then be approved by the City Council.

- (I) **Disbursements** - During our testing of disbursements, we found that 1 of 30 disbursements tested was not included in the list of claims approved by the City Council.

Recommendation - All invoices to be paid should be approved by the City Council.

- (J) **Annual Urban Renewal Report (AURR)** - Expenditures reported in the AURR for the fiscal year ended June 30, 2015 did not agree to the City's general ledger.

Recommendation - The City should ensure all amounts reported on the AURR Levy Authority Summary agree with the City's records.

- (K) **Annual Financial Report (AFR)** - The AFR required to be filed with the State of Iowa for the fiscal year ended June 30, 2015 did not agree with the City's general ledger. Expenses by functions and total expenses in the general ledger did not agree to the amounts reported on the AFR. In addition, beginning fund balances did not agree with the prior year ending fund balances.

Recommendation - The AFR should be reconciled to the City's general ledger before its filed.